Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)
Connect America Fund) WC Docket No. 10-90
A National Broadband Plan for Our Future) GN Docket No. 09-51
Establishing Just and Reasonable Rates for Local Exchange Carriers) WC Docket No. 07-135
High-Cost Universal Service Support) WC Docket No. 05-337
Developing a Unified Intercarrier Compensation Regime) CC Docket No. 01-92
Federal-State Joint Board on Universal Service) CC Docket No. 96-45
Lifeline and Link-Up) WC Docket No. 03-109

REPLY COMMENTS OF BANDWIDTH.COM, INC.

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TABLE OF CONTENTS

I.	INTRODUCTION AND SUMMARY	2
II.	REFORMS MUST EMBRACE IP TECHNOLOGY	. 5
	A. Subjecting VoIP to the Access Charge Regime Is a Step in the Wrong	
	Direction	. 6
	B. Asserting Exclusive Federal Jurisdiction over All Traffic Is Necessary	7
III.	IP-ENABLED SERVICES SHOULD BE DECLARED TO BE	
	INFORMATION SERVICES	. 9
IV.	COMMERCIAL AGREEMENTS WITHIN A "LIGHT TOUCH" FEDERAL	
	FRAMEWORK WILL MAXIMIZE INNOVATION	11
V.	CONCLUSION	13

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Bandwidth.com, Inc. ("Bandwidth.com") submits these replies in response to the Commission's August 31, 2011 Public Notice¹ seeking public comment on three recently

¹ Public Notice, Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, DA 11-1348, CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WC Docket Nos. 10-90, 07-135, 05-337, 03-109 (rel. Aug. 3, 2011) (Public Notice).

submitted proposals to reform the intercarrier compensation ("ICC") and Universal Service Fund ("USF") regimes.²

I. INTRODUCTION AND SUMMARY

Bandwidth.com operates a facilities-based nationwide network entirely optimized for Internet Protocol ("IP"). Bandwidth.com's IP network powers a wide array of "Voice 2.0" innovators throughout the United States. These innovators range from established, well-known national VoIP providers to successful cutting edge start-ups that are experiencing rapid adoption of their products and services. The National Broadband Plan³ offers a blue-print for advancing the technological and economic benefits inherent in broadband Internet services, and Bandwidth.com urges the Commission to stay true to this vision by embracing bold reform focused on an IP future while avoiding an extended transition rooted in legacy network issues.

The opening comments submitted in this phase of the Commission's proceeding confirm widespread agreement that the current ICC system hinders the Commission's goals of ensuring

² Comments by the State Members of the Federal-State Joint Board on Universal Service, WC Docket No. 10-90 et al. (filed May 2, 2011) ("State Member Comments"); Comments of NECA, NTCA, OPASTCO, and WTA, WC Docket No. 10-90 et al. (filed April 18, 2011) (RLEC Plan); Letter from Robert W. Quinn, Jr., AT&T, Steve Davis, CenturyLink, Michael T. Skrivan, FairPoint, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, and Michael D. Rhoda, Windstream, to Marlene H. Dortch, FCC, WC Docket No. 10-90 et al. (filed July 29, 2011) ("ABC Plan"). *See also* Letter from Walter B. McCormick, Jr., United States Telecom Association, Robert W. Quinn, Jr., AT&T, Melissa Newman, CenturyLink, Michael T. Skrivan, FairPoint, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, Michael D. Rhoda, Windstream, Shirley Bloomfield, NTCA, John Rose, OPASTCO, and Kelly Worthington, WTA, to Chairman Julius Genachowski, Commissioner Michael J. Copps, Commissioner Robert M. McDowell, Commissioner Mignon Clyburn, FCC, WC Docket No. 10-90 et al. (filed July 29, 2011) ("Joint Letter").

³ Federal Communications Commission, *Connecting America: The National Broadband Plan* (rel. Mar. 16, 2010) ("National Broadband Plan").

that all Americans have access to broadband.⁴ As the Commission is well aware, the current ICC regime is an obstacle slowing the inevitable nationwide evolution toward IP services.⁵ However, what has come into further focus in this phase of the process is that there is relatively widespread disagreement as to how far the Commission should go in reforming ICC, how fast it should require the changes to occur or what particular aspects of the vestiges of the old regime the Commission should keep in place during the transition.

Bandwidth.com believes that allowing VoIP to lead rapid ICC reform, including streamlined interconnection rules, will yield the greatest benefits in the shortest period of time. Establishing a short path to transition all telecommunications to a uniform rate structure that also ultimately reflects sound engineering principles based upon IP technology will alleviate many of the ongoing difficulties of the broken system. Conversely, delaying the transition or endorsing the slow implementation of a plan rooted in the same PSTN-era regime that is rife with disputes will

⁴ See, e.g., Joint Comments of AT&T et al, Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, DA 11-1348, CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WC Docket Nos. 10-90, 07-135, 05-337, 03-109 (filed Aug. 24, 2011) ("Joint Comments of ABC Plan Signatories").

⁵ Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd 4554, 4559, para. 6 (2011) ("USF-ICC Transformation NPRM") ("The ICC regime, too, was designed for a world of voice minutes and separate long-distance and local telephone companies. It has had the effect of rewarding carriers for maintaining outdated infrastructure rather than migrating to Internet protocol (IP)-based networks. Thus, current rules actually disincentivize something necessary for our global competitiveness: the transition from analog circuit-switched networks to IP networks.")

only serve to prolong the pain. Bandwidth.com concurs with Google that this approach has a "tail wagging the dog" effect.⁶

As Bandwidth.com stated in its earlier comments in this proceeding,⁷ and as is stated in the ABC Plan,⁸ the Commission must act to assert federal jurisdiction and implement ICC reforms that embrace free-market principles. In reviewing the specific proposals under consideration in this further inquiry, the Commission must stay true to the fundamental principles of the National Broadband Plan as expressed in the NPRM and move forward with clear, holistic and forward-looking reform in order to achieve the ultimate goal of empowering broadband end-users as quickly and effectively as possible.⁹

The recommendations Bandwidth.com provides in these comments can be summarized as follows:

 Bandwidth.com supports comments aimed at advancing the consumer benefits of IP technology;

⁶ Comments of Google Inc., Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, DA 11-1348, CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WC Docket Nos. 10-90, 07-135, 05-337, 03-109 at 17 (filed Aug. 24, 2011); see also Letter from Donna N. Lampert, Counsel for Google Inc., to Marlene H. Dortch, FCC, WC Docket No. 10-90 et al. (filed June 8, 2011); Comments of Google Inc., tw telecom inc. Petition for Declaratory Ruling Regarding Direct IP-to-IP Interconnection Pursuant to Section 251(c)(2) of the Communications Act, WC Docket No. 11-119 (filed Aug. 15, 2011) ("Estimates are that in just a few years, voice traffic is projected to be just a tiny fraction of all network traffic, with TDM voice a tiny tail on a very large dog.").

⁷ See Reply Comments of Bandwidth.com, Inc., USF-ICC Transformation NPRM (filed May 23, 2011).

⁸ See ABC Plan at 4.

⁹ USF-ICC Transformation NPRM, 26 FCC Rcd at 4701, para. 490 ("Specifically, the changes to the intercarrier compensation rules discussed below will: (1) modernize our rules to make affordable broadband available to all Americans and reduce waste and inefficiency by taking steps to curb arbitrage; (2) promote fiscal responsibility; (3) require accountability; (4) transition to market-driven and incentive-based policies.").

- Subjecting VoIP to traditional access charges would impede growing momentum toward innovation;
- In order to expediently realize consumer benefits, the Commission must assert jurisdiction over *all* communications traffic;
- IP-enabled traffic should be declared to be "information service" traffic; and
- Commercially negotiated ICC contracts will be the most effective means to account for unique carrier-to-carrier considerations.

II. REFORMS MUST EMBRACE IP TECHNOLOGY

Broad-based commitment to an IP future and the consumer benefits inured from such a commitment will occur more rapidly the sooner the Commission signals its embrace of this shift. As the Commission stated in the NPRM, "[b]y modernizing our policies for a broadband world and reducing the underlying incentives for wasteful arbitrage, we believe these reforms will promote investment in IP facilities and free up valuable resources, provide certainty and ultimately encourage new broadband investment and innovation." It is axiomatic that a clear commitment from the Commission to public policies that endorse an IP future for America through real and holistic ICC reform will quicken the pace of investment and innovation across the industry. As the Commission acknowledged in the National Broadband Plan that launched this proceeding:

Due in large part to private investment and market-driven innovation, broadband in America has improved considerably in the last decade. More Americans are online at faster speeds than ever before. Yet there are still critical problems that slow the progress of availability, adoption and utilization of broadband.¹¹

In order to continue this growth in market-driven innovation, the Commission must transform the current voice-centric, TDM-based ICC regime to one that favors IP-based solutions.

5

¹⁰ USF-ICC Transformation NPRM, 26 FCC Rcd at 4571, para. 44.

¹¹ National Broadband Plan at 3.

A. Subjecting VoIP to the Access Charge Regime Is a Step in the Wrong Direction

One of "the critical problems that has slow[ed] the progress of availability, adoption and utilization of broadband" is an ICC system that fundamentally fails to account for IP technology. Bandwidth.com agrees with commenters like The VON Coalition and Sprint that point out that superimposing the legacy, voice-centric PSTN-based ICC onto IP-enabled services would deter commercial investments that would otherwise advance a more rapid technological shift to a robust broadband marketplace. ¹³

Unfortunately, however, all of the plans under consideration in the Further Inquiry would, in large part, do precisely that. Bandwidth.com encourages the Commission to maintain the positive momentum and, where it can, accelerate the pace toward reform. The industry as a whole has begun the shift toward reducing or eliminating ICC and VoIP has been a leading cause for that shift. If the Commission imposed access charges on VoIP at this point in the shift, consumers would almost assuredly suffer¹⁴ and the momentum built up to date would slow or stop altogether. "Foot-dragging" by those entities that wish to remain in the past must be eliminated in order to realize the full potential of an IP broadband marketplace. ICC reform can

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¹² *Id*.

¹³ Comments of The Voice on the Net Coalition, Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, DA 11-1348, CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WC Docket Nos. 10-90, 07-135, 05-337, 03-109 at 3 (filed August 24, 2011)("VON Coalition Comments"); Comments of Sprint Nextel Corporation, Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, DA 11-1348, CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WC Docket Nos. 10-90, 07-135, 05-337, 03-109 at 4-7 (filed Aug. 24, 2011) ("Sprint Comments").

¹⁴ See Letter from Ad Hoc Telecommunications Users Committee, Google Inc., Skype Communications S.A.R.L., Sprint Nextel Corporation, Vonage Holdings Corp., to Chairman Julius Genachowski, Commissioner Michael Copps, Commissioner Robert McDowell, Commissioner Mignon Clyburn, FCC, WC Docket No. 10-90 et al. (filed Aug. 18, 2011).

accomplish the fundamental shift of resources that is necessary to spur the innovation that is still waiting to be tapped.¹⁵

B. Asserting Exclusive Federal Jurisdiction over All Traffic Is Necessary

Bandwidth.com wholeheartedly agrees with the authors of the ABC Plan that it is of paramount importance for the Commission to establish clear federal jurisdiction over all ICC to determine the precise structure of reform and ensure ICC uniformity. An ICC framework premised on the Commission sharing rate-setting authority with the states will impede the efforts to unify ICC and would be more likely to advance arbitrage than to realize the Commission's Four Principles. Bandwidth.com agrees with the Joint Comments from the ABC Plan authors that "[a]ny reform scenario permitting non-uniform intercarrier compensation rates and/or access recovery opportunities ... would pose an insurmountable obstacle to the federal policies..." the Commission aims to advance in this docket. 18

Historically, the ICC system made jurisdictional determinations by identifying and categorizing traffic exchanged between carriers based upon certain geographic assumptions.

However, IP traffic fundamentally undermines these geographic assumptions, which has, in turn, made it increasingly difficult for carriers to reach agreement as to the proper classification and treatment of traffic. However, the fact that IP technology has made geographic distinctions

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¹⁵ See USF-ICC Transformation NPRM, 26 FCC Rcd at 4709-10, para. 506 and n.729 (citing Sprint Nextel Comments in re: National Broadband Plan #25 at 7-10 (filed Dec. 22, 2009)). ¹⁶ See Joint Comments of ABC Plan Signatories at 18-21.

¹⁷ VON Coalition Comments at 5.

¹⁸ Joint Comments of ABC Plan Signatories at 19.

¹⁹ See Comments of Time Warner Cable, Inc., Further Inquiry into Certain Issues in the Universal Service-Intercarrier Compensation Transformation Proceeding, DA 11-1348, CC Docket Nos. 01-92, 96-45; GN Docket No. 09-51; WC Docket Nos. 10-90, 07-135, 05-337, 03-109 at 8-9 (filed Aug. 24, 2011)("Time Warner Cable Comments").

irrelevant is an important reason that the ABC Plan, which seeks to perpetuate those distinctions, should not be endorsed with respect to VoIP traffic exchange rules.

In order to stem arbitrage schemes and advance the goals of broadband deployment, the Commission should reduce *all* communications traffic to rates that have been effectively established for the exchange of VoIP traffic in the marketplace. Rather than relying on the outdated intercarrier compensation model of the PSTN as a starting point for reform, Bandwidth.com believes consumers would be better served through an ICC and interconnection structure that is more akin to the Internet or wireless networks. In both instances, traffic is exchanged at zero or near zero per-minute rates and parties are left to negotiated how to establish mutually beneficial network connections, leaving little room for arbitrage. Thus, the most effective way for the Commission to eliminate opportunities for gaming the system is not to assert its jurisdiction to impose access charges on VoIP, but rather to assert its jurisdiction over *all* traffic and then allow market forces to reduce ICC to rates that are representative of commercially negotiated arrangements.²⁰ Such an approach may also require a default or "backstop" rule set for carriers to rely upon if they could not successfully achieve commercially negotiated terms.

Sharing jurisdiction over ICC rates with the states will only serve to prolong the pain caused by the current system – much of which is due to efforts to impose unnecessary geographic boundaries on services that increasingly do not operate within such boundaries.

After years of disputes and litigation, the opening comments suggest a high degree of consensus among key industry members on the fundamental question of jurisdiction and the Commission's

²⁰ Bandwidth.com would not object if the Commission were to ultimately decide that the default uniform rate for all communications traffic should be "Bill and Keep."

tentative conclusions that it has "authority to regulate reciprocal compensation arrangements involving intrastate as well as interstate traffic." As discussed herein, the comments from the ABC Plan authors as well as carriers such as Sprint, Time Warner Cable, Comcast, VON, Vonage, Google and others provide compelling support that both the jurisprudence and the public policy dictate that the Commission assert its authority to reform *all* forms of ICC.

III. IP-ENABLED SERVICES SHOULD BE DECLARED TO BE INFORMATION SERVICES

Once the proper jurisdictional framework is established, the Commission should move swiftly toward ICC uniformity within a lightly regulated structure. Sprint does a particularly effective job of explaining why IP technology must not be artificially forced into the outdated constructs of the PSTN in its opening comments.²² Bandwidth.com agrees with Sprint that VoIP ICC reform must acknowledge the inherent technological and economic advantages of IP while allowing for market-based solutions as the principal avenue to address intercarrier issues such as co-carrier ICC and interconnection arrangements.²³ The Commission has deemed VoIP to be inherently interstate in nature,²⁴ while at the same time "the Commission has never addressed whether interconnected VoIP is subject to intercarrier compensation rules."²⁵ Given the multiplicity of established and emerging "VoIP" services, the term "VoIP" is necessarily amorphous and inherently challenging to define. Hence, in the ICC context IP traffic is a large and growing source of dispute among carriers and Bandwidth.com agrees with the authors of the

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²¹ USF-ICC Transformation NPRM, 26 FCC Rcd at 4713, para. 515.

²² Comments of Sprint at 4-7.

²³ *Id.* at 5-6.

²⁴ Memorandum Opinion and Order, *Vonage Holdings Corp. Petition for Declaratory Ruling Concerning an Order of the Minn. Pub. Utils. Comm'n*, 19 FCC Rcd 22404 (2004) (Vonage Order), *aff'd Minn. Pub. Utils. Comm'n v. FCC*, 483 F3d 570 (8th Cir. 2007).

²⁵ USF-ICC Transformation NPRM, 26 FCC Rcd at 4744, para. 604.

ABC Plan that it is important for the Commission to move swiftly to address ICC for VoIP.²⁶ However, as the Commission acknowledges in the Public Notice, if fundamental disagreements about whether traffic is or is not "VoIP" continue even after the Commission address VoIP ICC, little will have been resolved in this reform attempt.²⁷ Fortunately, the Commission is now well positioned to resolve these kinds of disputes for good, but it should avoid doing so in a heavy-handed manner.

As noted in the NPRM and prior comments, Bandwidth.com recently entered into a ground-breaking commercially negotiated VoIP traffic exchange agreement with Verizon.²⁸ This landmark agreement represents the promise of a swift transition to IP and a rational ICC system. It is evidence of how the market can produce meaningful compromise without regulatory oversight. As a component of its overall ICC reform framework, and as supported by a number of commenters, the Commission should endorse commercially negotiated IP-enabled service agreements, with a "light touch" regulatory backstop as a way to wean the industry from regulatory-driven arbitrage schemes and toward an IP future.

To provide clear guidance to the industry, the Commission should explicitly declare that traffic that includes a "net-protocol conversion" and "enhanced" IP functionality is "VoIP" and, therefore, is part of the Commission's new framework that properly accounts for IP technology.²⁹ High-level rules such as this will prove to be more effective than PSTN-based or geographically oriented rules would be in guiding a transformation to IP. If the Commission

²⁶ ABC Plan at 3.

²⁷ See Time Warner Cable Comments at 8; VON Coalition Comments at 9.

²⁸ USF-ICC Transformation NPRM, 26 FCC Rcd at 4748, n.929.

²⁹ See Verizon and Verizon Wireless Section XV Reply Comments, WC Docket Nos. 10-90, et. al. at 18-19 (filed April 1, 2011); NPRM Comments of Vonage Holdings Corp., WC Docket Nos. 10-90, et. al. at 2-5 (filed April 18, 2011); NPRM Comments of Google, Inc., WC Docket Nos. 10-90, et. al. at 3-5 (filed April 18, 2011).

were to impose geographically restrictive rules to VoIP ICC and interconnection, carriers would almost assuredly continue to disagree about the same set of ICC issues as they do today. Whether traffic is considered to be "interconnected VoIP", "IP-in-the-middle", "IP originated", "IP terminated", "wholesale VoIP", "fixed VoIP," "nomadic VoIP", and now "wireless VoIP"³⁰ can yield a wide variety of possible outcomes for ICC compensation. The mere existence of these distinct labels affect how carriers operate, including decisions to engage in "arbitrage."

Bandwidth.com supports the comments from Sprint concerning the likelihood that an outright adoption of the ABC Plan would only serve to continue the long-standing disagreements about the rules that apply to VoIP.³¹ As discussed above, if PSTN/TDM concepts like endoffices or tandems are superimposed on VoIP via regulatory mandate, there is almost certain to be disagreement about the validity or relevance of such concepts in an IP environment. Rather, the sooner the Commission asserts exclusive jurisdiction, endorses the inherent technological superiority of IP and sets its reform framework on a path toward a unified ICC rate structure, the sooner the industry can adjust their business models accordingly.³²

IV. COMMERCIAL AGREEMENTS WITHIN A "LIGHT TOUCH" FEDERAL FRAMEWORK WILL MAXIMIZE INNOVATION

Providers of communications services are adept at crafting and negotiating service agreements that contain mutually beneficial terms and conditions. If given the chance, freemarket contracting will also work in the communications interconnection context – particularly in an environment that has been stripped of regulatory "arbitrage" opportunities. Through market-based commercial negotiations parties can come to terms on a myriad of interrelated ICC

³⁰ NPRM Comments of Verizon and Verizon Wireless, WC Docket Nos. 10-90, et. al. at 28, 31 (filed April 18, 2011).

³¹ Comments of Sprint at 4.

³² See Comments of VON Coalition at 5.

issues in a mutually beneficial manner. Over time, much as it has in the context of service contracting, this approach to ICC issues will produce model agreements that contain terms and conditions that represent providers' key business and legal positions. A Commission established "glide-path" or "framework" for guiding initial reform attempts can quickly mature into a backstop for appropriate minimal regulatory redress in an all-IP future. A part of the transitional framework and ultimate backstop should be a Commission established dispute resolution forum for those instances where parties cannot reach agreement on fundamental ICC matters.

Bandwidth.com believes that the framework the Commission establishes should be based upon the more recent experience of the wireless and Internet marketplaces than the PSTN model. Bandwidth.com believes that commercially negotiated ICC contracts will be the most effective means to account for unique carrier-to-carrier considerations. Commercial contracts also promise to more accurately approximate the true cost of the transaction than any regulatory regime could ever achieve. Finally, in a streamlined framework such as this, improved pricing and service innovations will flow more directly to consumers.

Bandwidth.com agrees with the Commission and those commenters that support a fastpaced transitional framework to a unified rate to mandate industry change. Rather than starting
such a transition by exposing VoIP to all of the failings of the broken PSTN-based ICC system,
Bandwidth.com believes the Commission should establish a "back-stop" VoIP regime and then
work to transition all other traffic into that structure over a short period of time. Over the course
of such a transition period, the Commission would be free to revise the backstop/default
framework as necessary so that all carriers would be swiftly positioned to more efficiently

conduct business in the future.³³ This sort of reform structure would also allow for a period where the Commission could monitor market effects and act as needed to address significant problems that may not have been foreseen.³⁴

Maintaining federal jurisdiction over ICC subsequent to an orderly transition to a reformed ICC framework will ensure a requisite "backstop" exists, should market forces require regulatory intervention at some future point in time.³⁵ While the PSTN is on its way out, it will not disappear overnight and, therefore, we cannot expect the regulatory structure that is based around the PSTN to disappear in its entirety either. However, an aggressive federally mandated ICC glide-path premised upon the technological promise of IP and the eventual extinction of the PSTN while buttressed by commercially driven creative solutions will drive American innovation and investment.

V. CONCLUSION

A decade-long record on ICC issues clearly demonstrates the need for swift Commission action. As an innovative competitive IP provider, Bandwidth.com is encouraged by the prospect of soon being able to operate in a communications marketplace devoid of protracted ICC disputes and litigation. Therefore, Bandwidth.com encourages the Commission to follow through with its tentative conclusions and assert its jurisdiction under the Act to implement holistic ICC reforms that embrace IP technology and free-market principles for *all* traffic. With bold action, the Commission can succeed in shifting carriers' focus away from business models

³³ See Comments of Sprint at 6; Comments of Google at 20-21. See also NPRM Comments of AT&T, WC Docket Nos. 10-90, et. al. at 24-25 (filed April 18, 2011).

³⁴ See NPRM Comments of AT&T, WC Docket Nos. 10-90, et. al. at 25 (filed April 18, 2011).

³⁵ See Comments of Google at 20-21. See also NPRM Comments of Verizon and Verizon Wireless, WC Docket Nos. 10-90, et. al. at 36-39 (filed April 18, 2011).

that depend on regulatory-driven PSTN-based revenue streams and back to where it belongs: on

services and end-users.

Innovation and investment that promote consumer benefits must be the Commission's

focus. Today's ICC universe is an intricate set of interrelated but outdated rules that carriers and

regulators consistently struggle to manage. Reducing litigation by eliminating arbitrage

opportunities will shift capital to more beneficial purposes and spur broadband growth. As the

Commission moves ahead with holistic reform, it must stay true to the Four Principles of the

NPRM to realize the benefits of a broadband future as quickly and effectively as possible.

Respectfully submitted,

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14